

Capital Area Michigan Works!

Lansing, Michigan

Financial Statements and Additional Information
Year Ended June 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|--|--------------------------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name Capital Area Michigan Works! | County Clinton/Eaton/Ingha |
| Audit Date 6/30/05 | Opinion Date 11/2/05 | Date Accountant Report Submitted to State: | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

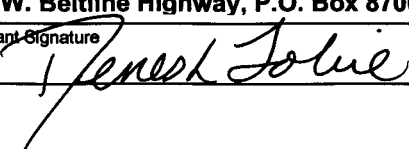
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | | | ✓ |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | ✓ | | |

| | | | |
|---|--|------------------------|-------------------------|
| Certified Public Accountant (Firm Name) Wipfli LLP | | | |
| Street Address 2901 W. Beltline Highway, P.O. Box 8700 | | City Madison | State WI |
| Accountant Signature  | | ZIP 53713 | Date 12-19-05 |

Capital Area Michigan Works!

Financial Statements and Additional Information
Year Ended June 30, 2005

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Independent Auditor's Report

To the Board of Directors
Capital Area Michigan Works!
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Capital Area Michigan Works! for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of Capital Area Michigan Works! management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Capital Area Michigan Works! as of June 30, 2005, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2005, on our consideration of Capital Area Michigan Works! internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is additional information required by GASB. We have applied certain limited procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of the required additional information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Capital Area Michigan Works! basic financial statements. The accompanying schedule of expenditures of federal awards, Schedule A-1 to A-2, which includes the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.


Wipfli LLP

November 2, 2005
Madison, Wisconsin

Capital Area Michigan Works!

Management's Discussion and Analysis

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34. GASB 34 introduces two new financial reports – the statement of net assets and the statement of activities. In addition, GASB 34 requires a Management's Discussion and Analysis which is an overview of financial activities for the fiscal year. State and local governments (including Capital Area Michigan Works!) must conform to Statement No. 34 as with all other generally accepted accounting principles.

Financial Highlights

- Capital Area Michigan Works! (the "Organization") overall financial position, as reflected in total net assets, increased by \$34,004.
- In governmental funds, the total fund balance increased by \$31,567.

A synopsis of key financial activities for the 2004-2005 fiscal year is as follows:

- Capital Area Michigan Works! was one of the first agencies in the country to receive from the United States Department of Labor a \$350,000 Faith-Based and Community Organizations grant to work with ex-offenders in the tri-county region.
- In September of 2004, the Capital Area Manufacturing Council was recognized as a Michigan Regional Skills Alliance (MiRSA) and awarded \$88,000 in MiRSA grant funding.
- The audit was presented to the boards with the results of the Organization's annual audit for the fiscal year ending June 30, 2004. It was noted that the Organization received a clean audit with no findings.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Organization's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

Government-Wide Financial Statements

- The government-wide financial statements are the statement of net assets and the statement of activities. These statements present an aggregate view of the Organization's finances in a manner similar to private and nonprofit sectors.
- The statement of net assets presents information on all of the Organization's assets and liabilities, with the difference between the two being reported as net assets.
- The statement of activities presents information showing how the Organization's net assets changed during the year.
- The government-wide financial statements are shown on pages 8 and 9 of this report.

Capital Area Michigan Works!

Management's Discussion and Analysis

Fund Financial Statements

- Capital Area Michigan Works! also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The Organization, like other federal/state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the Organization's government-wide statements.
- There are two fund financial statements: the balance sheet and the statement of revenue, expenditures, and changes in fund balances.
- The Organization has only one fund, the governmental general fund. The general fund accounts for all federal, state, and local grant-funded programs and one-stop revenue and expenses.

The major features of the Organization's financial statements, including the portion of the activities reported and the type of information contained, is shown in the following table.

| | Government-Wide Statements | Fund Financial Statements Governmental |
|---|--|---|
| Scope | Entire government. | The programmatic and operating activities of the Organization such as employment and training. |
| Required Financial Statements | Statement of net assets and statement of activities. | Balance sheet and statement of revenue, expenditures, and changes in fund balance. |
| Basis of Accounting and Measurement Focus | Accrual accounting and economic resources focus. | Accrual accounting. Current financial resources focus. |
| Type of Asset and Liability Information | All assets and liabilities, both financial and capital, short-term and long-term. | Generally includes assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included. |
| Type of Inflow and Outflow Information | All revenue and expenses during the year, regardless of when cash is received or paid. | Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable. |

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the Organization's government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 21 of this report.

Capital Area Michigan Works!

Management's Discussion and Analysis

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Capital Area Michigan Works!, liabilities exceeded assets by \$287,961 at June 30, 2005, and \$253,957 at June 30, 2004. Table 1 below provides a summary of the Organization's net assets for the years ended June 30, 2005 and 2004.

Table 1
Condensed Statement of Net Assets

| | Governmental Activities 2005 | Governmental Activities 2004 |
|---|---|---|
| Current and other assets | \$ 1,283,695 | \$ 1,288,652 |
| Capital assets, net of accumulated depreciation | 52,651 | 43,268 |
| Total assets | 1,336,346 | 1,331,920 |
| Current liabilities | 968,887 | 1,005,411 |
| Long-term liabilities | 79,498 | 72,552 |
| Total liabilities | 1,048,385 | 1,077,963 |
| Net assets: | | |
| Invested in capital assets | 52,651 | 43,268 |
| Unrestricted | 235,310 | 210,689 |
| Total net assets | \$ 287,961 | \$ 253,957 |

In governmental activities for the year ended June 30, 2005, total assets increased by \$4,426 including a decrease in cash and certificates of deposit of \$224,607, an increase due from other governmental units and accounts receivable of \$195,547, an increase in prepaid expenses of \$24,103, and an increase in capital assets of \$9,383. Total liabilities decreased \$29,578 due to a \$27,451 increase in accounts payable, a \$18,778 decrease in accrued payroll and related expenses, and a \$38,251 decrease in unearned revenue.

In governmental activities for the year ended June 30, 2004, total assets increased by \$119,584 including an increase in cash and certificates of deposit of \$81,459 and an increase due from other governmental units of \$52,256. Total liabilities increased \$124,027 primarily due to a \$154,849 increase in unearned revenue and a \$34,315 increase in the accounts payable.

Capital Area Michigan Works!

Management's Discussion and Analysis

Change in Net Assets

Table 2 summarizes the change in net assets for the fiscal year 2005 and 2004.

Table 2
Change in Net Assets

| | 2005 | | 2004 | |
|------------------------------------|--------------|-----------------------|---------------|-----------------------|
| | Amount | Percentage of Funding | Amount | Percentage of Funding |
| Revenue: | | | | |
| Operating grants and contributions | \$ 9,889,751 | 85.30% | \$ 11,583,024 | 87.15% |
| Capital grants and contributions | 24,478 | 0.21% | 20,450 | 0.15% |
| Charges for services - One-Stop | 1,680,316 | 14.49% | 1,686,511 | 12.69% |
| General revenue | 25 | 0.00% | 1,348 | 0.01% |
| Total revenue | 11,594,570 | 100.00% | 13,291,333 | 100.00% |
| Expenses: | | | | |
| Job training: | | | | |
| Administration | 837,407 | 7.24% | 837,368 | 6.30% |
| In-School Youth | 489,267 | 4.23% | 292,095 | 2.20% |
| Out-of-School Youth | 503,513 | 4.36% | 383,922 | 2.89% |
| Core Services | 560,895 | 4.85% | 379,170 | 2.85% |
| Intensive services | 387,512 | 3.35% | 364,552 | 2.74% |
| Training services | 602,165 | 5.21% | 471,999 | 3.55% |
| Program services | 6,504,053 | 56.26% | 8,842,301 | 66.50% |
| Information and technology | 12,905 | 0.11% | 15,970 | 0.12% |
| One-Stop | 1,647,754 | 14.25% | 1,651,548 | 12.42% |
| Depreciation - unallocated | 15,095 | 0.13% | 56,851 | 0.43% |
| Total expenses | 11,560,566 | 100.00% | 13,295,776 | 100.00% |
| Changes in net assets | 34,004 | | (4,443) | |
| Net assets - beginning of year | 253,957 | | 258,400 | |
| Net assets - end of year | \$ 287,961 | | \$ 253,957 | |

As shown, program revenue in the form of grants and contributions provides about 85.30% and 87.15%, respectively, of the funds for governmental activities, which are expended primarily on program services. Operating grant revenue for 2005 was \$1,673,383 or 12.59% less than 2004.

Capital Area Michigan Works!

Management's Discussion and Analysis

Governmental Funds

The Organization completed the fiscal year June 30, 2005, with a total governmental fund balance of \$314,808, \$31,567 more than last year's ending fund balance of \$283,241. The Organization completed the fiscal year June 30, 2004, with a total governmental fund balance of \$283,241, \$32,530 more than June 30, 2003, ending fund balance of \$250,711.

Capital Assets

At the end of the 2005 fiscal year, the Organization had invested a cumulative of \$362,161 in capital assets, including vehicles and equipment (see Table 3). Supplementary information about capital assets can be found in Note 5, page 18. The Organization recognized depreciation expense of \$15,095 for governmental activities. Total accumulated depreciation on these assets was \$309,510.

Table 3
Capital Assets

| | 2005 | 2004 | % Change |
|--------------------------|------------|------------|----------|
| Equipment | \$ 324,000 | \$ 347,597 | (6.79%) |
| Vehicles | 38,161 | 33,400 | 14.25% |
| Accumulated depreciation | (309,510) | (337,729) | (8.36%) |
| Totals | \$ 52,651 | \$ 43,268 | |

Factors Bearing on Capital Area Michigan Works! Future

There are a variety of factors concerning the Organization's future in the next one- to three-year period:

- The Organization's growing health care sector has the potential to continue providing excellent health care services to current residents, but also to employ more local job seekers, to attract health care businesses and practitioners from other areas to live and work in the tri-county region, and to become a health care service destination for out-of-town patients, contributing to local restaurants, hotels, stores, and other businesses. The economic impact of every health care employee in the capital area is approximately \$55,000 per year, and the total economic impact in the capital area is estimated at \$1.4 billion annually.
- Capital Area Michigan Works! will be serving as a pilot for a statewide Michigan Prisoner Re-entry Initiative to help ex-offenders re-integrate in the community instead of returning to prison.
- Capital Area Michigan Works! is a proud partner in the Michigan Opportunity Partnership, a new initiative to place 30,000 unemployed citizens into current job vacancies.

Contacting Capital Area Michigan Works! Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Organization's finances and to demonstrate the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Doug E. Stites, Chief Executive Officer, at 2110 South Cedar Street, Lansing, MI 48910.

Capital Area Michigan Works!

Statement of Net Assets

June 30, 2005

| | Governmental Activities |
|---|----------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 95,396 |
| Certificates of deposit | 166,075 |
| Due from other governmental units | 895,633 |
| Accounts receivable | 37,637 |
| Prepaid expenses | 88,954 |
| Capital assets, net of accumulated depreciation | 52,651 |
| TOTAL ASSETS | \$ 1,336,346 |
| Liabilities: | |
| Accounts payable | \$ 875,057 |
| Accrued payroll and related expenses | 10,398 |
| Compensated funded leave | 79,498 |
| Grant funds received in advance | 83,432 |
| Total liabilities | 1,048,385 |
| Net assets: | |
| Invested in capital assets | 52,651 |
| Unrestricted | 235,310 |
| Total net assets | 287,961 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,336,346 |

See accompanying notes to financial statements

Capital Area Michigan Works!

Statement of Activities Year Ended June 30, 2005

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) |
|----------------------------------|---------------|----------------------|------------------------------------|----------------------------------|-----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets |
| | | | | | Primary Government Activities |
| Governmental activities: | | | | | |
| Job training | \$ 9,889,751 | \$ 0 | \$ 9,889,751 | \$ 24,478 | \$ 24,478 |
| One-Stop | 1,647,754 | 1,680,316 | 0 | 0 | 32,562 |
| Total program activities | 11,537,505 | 1,680,316 | 9,889,751 | 24,478 | 57,040 |
| Support services: | | | | | |
| Management and general | 7,966 | 0 | 0 | 0 | (7,966) |
| Depreciation | 15,095 | 0 | 0 | 0 | (15,095) |
| Total support services | 23,061 | 0 | 0 | 0 | (23,061) |
| Total governmental activities | \$ 11,560,566 | \$ 1,680,316 | \$ 9,889,751 | \$ 24,478 | 33,979 |
| General revenue: | | | | | |
| Interest and investment earnings | | | | | 25 |
| Total general revenue | | | | | 25 |
| Change in net assets | | | | | 34,004 |
| Net assets - June 30, 2004 | | | | | 253,957 |
| Net assets - June 30, 2005 | | | | | \$ 287,961 |

See accompanying notes to financial statements

Capital Area Michigan Works!

Balance Sheet - Governmental Fund

June 30, 2005

Assets:

| | |
|-----------------------------------|-----------|
| Cash and cash equivalents | \$ 95,396 |
| Investments | 166,075 |
| Due from other governmental units | 895,633 |
| Accounts receivable | 37,637 |
| Prepaid expenses | 88,954 |

| | |
|---------------------|---------------------|
| TOTAL ASSETS | \$ 1,283,695 |
|---------------------|---------------------|

Liabilities:

| | |
|--------------------------------------|------------|
| Accounts and contractor payable | \$ 875,057 |
| Accrued payroll and related expenses | 10,398 |
| Grant funds received in advance | 83,432 |

| | |
|-------------------|---------|
| Total liabilities | 968,887 |
|-------------------|---------|

Fund balance:

| | |
|---------------------------|---------|
| Unreserved - undesignated | 314,808 |
|---------------------------|---------|

| | |
|--------------------|---------|
| Total fund balance | 314,808 |
|--------------------|---------|

| | |
|---|---------------------|
| TOTAL LIABILITIES AND FUND BALANCE | \$ 1,283,695 |
|---|---------------------|

See accompanying notes to financial statements

Capital Area Michigan Works!

Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets June 30, 2005

Total fund balance - governmental funds \$ 314,808

Total net assets reported to governmental activities in the statement of net assets are different from the amount reported above as to governmental funds balance because:

Capital assets and accumulated funded leave used in government activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets are:

| | | |
|---------------------------------------|------------|--|
| Governmental capital assets | 362,161 | |
| Governmental accumulated depreciation | (309,510) | |

| | | |
|--------------------------|--|-----------|
| Accumulated funded leave | | 52,651 |
| | | (79,498) |

| | | |
|--|--|-------------------|
| Total net assets - governmental activities | | <u>\$ 287,961</u> |
|--|--|-------------------|

Capital Area Michigan Works!

Statement of Revenue, Expenditures, and Changes in Fund Balance - All Governmental Fund Types Year Ended June 30, 2005

Revenue:

| | |
|------------------------------|--------------|
| Federal grants | \$ 8,471,345 |
| State grants | 1,442,884 |
| Fringe benefit contributions | 111,169 |
| Reimbursements from programs | 939,932 |
| Community outreach | 64,868 |
| Rental | 555,615 |
| Interest and other revenue | 2,370 |

| | |
|---------------|------------|
| Total revenue | 11,588,183 |
|---------------|------------|

Expenditures:

| | |
|----------------------------|-----------|
| Administration | 1,799,851 |
| In-School Youth | 489,267 |
| Out-of-School Youth | 503,513 |
| Core Services | 560,895 |
| Intensive services | 387,512 |
| Training services | 602,165 |
| Program services | 6,504,053 |
| Information and technology | 12,905 |
| Fringe benefits | 112,690 |
| Community outreach | 62,205 |
| Building | 521,560 |

| | |
|--------------------|------------|
| Total expenditures | 11,556,616 |
|--------------------|------------|

| | |
|-------------------------------------|--------|
| Excess of revenue over expenditures | 31,567 |
|-------------------------------------|--------|

| | |
|------------------------------|---------|
| Fund balance - June 30, 2004 | 283,241 |
|------------------------------|---------|

| | |
|------------------------------|------------|
| Fund balance - June 30, 2005 | \$ 314,808 |
|------------------------------|------------|

Capital Area Michigan Works!

Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 31,567

Amounts reported for governmental activities in the
statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as
expenditures. However, for governmental activities, those costs are shown
in the statement of net assets and allocated over their estimated useful lives
as annual depreciation expenses in the statement of activities.

| | |
|--|-----------|
| Capital outlay reported in governmental fund statements | 24,478 |
| Depreciation expense reported in the statement of activities | (15,095) |

Amount by which capital outlays are more than depreciation in the
current period 9,383

Vested funded leave benefits are reported in the government
funds when amounts are paid. The statement of activities reports
the value of benefits earned during the year.

| | |
|------------------------------|-----------|
| Funded leave benefits earned | (13,333) |
| Funded leave benefits paid | 6,387 |

Net funded leave benefits (earned) (6,946)

Change in net assets - governmental activities \$ 34,004

Capital Area Michigan Works!

Notes to Financial Statements

Note 1 Nature of Operations

The Capital Area Michigan Works! (the "Organization") was organized to administer various federal and state employment and training funds and other state funds in Clinton, Eaton, and Ingham counties.

The Organization administers the day-to-day operations related to the employment and training programs under the direction of the Administrative Board, which is composed of members from the three counties and also the cities of Lansing and East Lansing. The Organization is both the administrative entity and the grant recipient for federal, state, local, and private funds.

The Capital Area Michigan Works! Workforce Development Board is appointed by the Organization's Administrative Board and consists of various individuals representing the private sector, governmental, and nonprofit organizations from the three-county areas. The Capital Area Michigan Works! Workforce Development Board provides policy guidance and oversight services for all activities of the Organization.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and statement of activities) present financial information about the Organization's nonfiduciary activities as a whole. Governmental activities generally are financed through intergovernmental revenue and other nonexchange transactions.

The statement of activities presents the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue consists of grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all interest income, is presented as general revenue.

The Organization applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available. Depreciation expense which can be specifically identified by function is included in the direct expenses of the function.

Fund Financial Statements

The accounts of the Organization are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained, consistent with legal and managerial requirements.

Capital Area Michigan Works!

Notes to Financial Statements

Note 2 **Summary of Significant Accounting Policies (Continued)**

Fund Financial Statements (Continued)

Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Organization reports only one major governmental fund.

General Fund

This is the Organization's primary operating fund. It accounts for all financial activity, including activities associated with providing job training and one-stop revenue and expenses. Sources include financial aid received from the state and federal government.

Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Organization gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Interest earnings on temporary investments are recognized in the fiscal period earned.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Organization considers all revenue reported in the governmental funds to be available if the revenue is collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Unearned revenue is reported on the balance sheet when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Organization before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability on the balance sheet is removed and revenue is recognized.

Capital Area Michigan Works!

Notes to Financial Statements

Note 2 Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received. Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide financial statements are as follows:

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|-----------|-----------------------------|------------------------|--------------------------|
| Equipment | \$5,000 | Straight line | 3 |
| Vehicles | \$5,000 | Straight line | 5 |

Federal and State Grant Revenue

Grants are recorded as invoiced to the funding source. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received or receivable in excess of expenses are reflected as unearned revenue.

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Whenever possible, costs are allocated directly to each program. Joint costs are those costs incurred for the common benefit of all organization programs that cannot be readily identified with a final cost objective.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is a consortium of governments organized under Michigan Public Act 7 of 1967 and is exempt from federal and Michigan income taxes.

Budgetary Accounting

The Organization receives funds under various grants and contracts which end on various budget cycles. As a result, no formal organization-wide budget is available. Therefore, no budgetary comparison has been included in these financial statements.

Capital Area Michigan Works!

Notes to Financial Statements

Note 3 Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments are kept in Federal Deposit Insurance Corporation (FDIC) insured banks.

The Organization also utilizes a pooled cash account. The Organization invests the pooled funds in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government.
3. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 180 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Other investments as permitted from time to time under Michigan law.

At least 20% of the pooled assets consist of cash equivalents that mature no later than the next business day, and not less than 80% of the fund's total assets mature more than 91 days from the purchase date.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization does not have a deposit policy for custodial credit risk. The exact custodial credit risk of the pooled funds as well as the respective financial institutions is not known and we have not included this disclosure in these financial statements.

As of June 30, 2005, the carrying amounts and bank balances for each type of bank account are as follows:

| <u>Account Type</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|-------------------------|------------------------|---------------------|
| Checking | \$ 90,060 | \$ 93,766 |
| Money market fund | 5,186 | 5,186 |
| Certificates of deposit | 166,075 | 166,075 |

Capital Area Michigan Works!

Notes to Financial Statements

Note 3 Cash, Cash Equivalents, and Investments (Continued)

The Organization maintains a petty cash imprest amount of \$150, which is included in the cash and cash equivalents on the balance sheet. The certificates of deposit are maintained at financial institutions and the balances are covered by the FDIC.

Due to the daily change in the mix of investments in the pooled account, there may be a portion of the Organization's funds that were not fully insured as of June 30, 2005.

Note 4 Due From Other Governmental Units

The following is a summary of the amounts due from other governmental units for the various grant programs as of June 30, 2005:

State:

| | |
|------------------------------------|-----------|
| Employment Services – 7A | \$ 83,796 |
| Re-Employment Services | 8,471 |
| WIA Administration | 27,287 |
| WIA Adult | 78,808 |
| WIA Youth | 131,735 |
| WIA Dislocated Worker | 127,185 |
| WIA Statewide activities | 37,391 |
| Work First - TANF | 260,390 |
| Reed Act Work First | 51,356 |
| Work First - State | 24,193 |
| Reed Act Service Center | 503 |
| Trade Adjustment Act | 25,161 |
| Food Stamps | 18,515 |
| RSA Manufacturing – State | 8,405 |
| Faith-Based Community Organization | 12,437 |

| | |
|--------------|-------------------|
| Total | \$ 895,633 |
|--------------|-------------------|

Note 5 Fixed Assets

Capital asset balances and activity for the year ended June 30, 2005, were as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------------|---------------|-------------------|
| Governmental activities: | | | | |
| Capital assets being depreciated: | | | | |
| Equipment | \$ 347,597 | \$ 9,697 | \$ 33,294 | \$ 324,000 |
| Vehicles | 33,400 | 14,781 | 10,020 | 38,161 |
| Total capital assets being depreciated | 380,997 | 24,478 | 43,314 | 362,161 |
| Less accumulated depreciation for: | | | | |
| Equipment | (327,709) | (11,279) | 33,294 | (305,694) |
| Vehicles and signs | (10,020) | (3,816) | 10,020 | (3,816) |
| Total accumulated depreciation | (337,729) | (15,095) | 43,314 | (309,510) |
| Governmental activities capital assets, net of accumulated depreciation | \$ 43,268 | \$ 9,383 | \$ 0 | \$ 52,651 |

Capital Area Michigan Works!

Notes to General Purpose Financial Statements

Note 6 **Accrued Funded Leave**

Individual employees have vested rights upon termination of employment to receive payments for certain paid time off, in accordance with procedures outlined in the personnel policies. The dollar amount of these vested rights, which have been accrued in the financial statements, amounted to \$79,498 at June 30, 2005.

The following is a summary of changes in paid time off for the Organization for the year ended June 30, 2005:

| | July 1, 2004 | Additions | Removals | June 30, 2005 |
|--------------------------|--------------|-----------|----------|---------------|
| Accumulated funded leave | \$ 72,552 | \$ 13,333 | \$ 6,387 | \$ 79,498 |

Note 7 **Reliance on Funding Sources**

The Organization receives all of its support from various federal, state, and local grant revenue. A significant reduction in the level of this support, if it were to occur, would have an effect on the Organization's programs and activities.

Note 8 **Retirement Plan**

Capital Area Michigan Works! is the sponsor of a retirement plan for the sole benefit of its employees. The CAMW - Employee Money Purchase Pension Plan is a defined contribution money purchase pension plan pursuant to Section 401(a) and 501(a) of the Internal Revenue Code covering eligible employees. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The employer is exempt from the Social Security Retirement System, as such OASDI payroll taxes are not paid. Accordingly, the employer will contribute annually an amount equal to 25% of the participants' compensation for the year ended June 30, 2005.

For the year ended June 30, 2005, the Organization had a total payroll of \$495,712. The retirement plan had covered payroll of \$495,712. The Organization made contributions to the retirement plan in the amount of \$123,928, which is included in the expenditures in the various funds of this report. The assets of this plan are not assets of Capital Area Michigan Works! and, therefore, are not included in these financial statements.

Note 9 **Postretirement Health Care Benefits**

Capital Area Michigan Works! is the sponsor of a postretirement health benefit plan. The CAMW - Retiree Medical Benefit Plan/Trust provides health benefits covering substantially all retirees of Capital Area Michigan Works! The plan was established May 28, 1997, and was effective January 1, 1997.

Capital Area Michigan Works!

Notes to General Purpose Financial Statements

Note 9

Postretirement Health Care Benefits (Continued)

The plan provides health benefits to qualified retirees of the sponsor and eligible spouses. To qualify, employees must not be eligible to receive any other substantially equivalent postretirement health benefit from another source, must have completed at least 20 years of service with the sponsor (25 years for spouse's benefit), and the participant's age plus years of service must equal at least 75. The sponsor may contribute amounts determined by the sponsor periodically. Employees and retirees may not contribute to the plan. The sponsor has the right under the plan to modify the benefits provided to retirees, to discontinue its contributions at any time, and to terminate the plan.

The postretirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributed to employee service rendered to December 31. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired employees and their spouses and (2) active employees and their spouses after retirement from service with the sponsor. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee's service rendered to the valuation date.

The plan covers three participants. The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical cost data to estimate future annual incurred costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, or withdrawal) between the valuation date and the expected date of payment.

For measurement purposes at December 31, 2004, a 3.5% annual rate of increase in the per capita cost of covered health care benefits was assumed. This assumption was consistent with that used to measure the benefit obligation at December 31, 2004.

The following were other significant assumptions used in the valuations as of December 31, 2004:

| | |
|--------------------------------|-----------------------------------|
| Weighted average discount rate | 6.25% |
| Average retirement age | 62 |
| Mortality | 1983 Group Annuity Table (Unisex) |

The foregoing assumptions are based on the presumption that the plan will continue. If the plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

The plan was amended effective January 1, 2004, to limit employer liability. The third amendment to the plan indicates that the plan may be terminated at any time by action of the employer's governing board. Any such termination may apply to individuals already retired and receiving benefits as well as individuals not yet retired. The employer funds its share of the cost of the plan benefit through the trust. The employer is not obligated to make additional contributions to the trust on plan termination in order to fund any particular benefit level. The benefit provided on plan termination will be based solely on the assets in the trust when the plan terminates.

Capital Area Michigan Works!

Notes to General Purpose Financial Statements

Note 10 Risk Management

The Organization is exposed to various risks of loss including general and automobile liability, property damage, employee dishonesty, and workers' compensation for which the Organization carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 11 Operating Lease

Capital Area Michigan Works! leases a facility for operation of its programs. The operating lease payments for the year ended June 30, 2005, were \$361,819. Future minimum lease payments on leases having terms beyond June 30, 2005, are as follows:

| | |
|-------------------|--------------------|
| 2006 | \$ 373,813 |
| 2007 | 385,807 |
| 2008 | 397,801 |
| 2009 | 409,795 |
| 2010 | 421,789 |
| <u>Thereafter</u> | <u>2,230,884</u> |
| <u>Total</u> | <u>\$4,219,889</u> |

Note 12 Lessor Activity

Capital Area Michigan Works! subleases office space in the One-Stop facility to unrelated third parties. The terms of the leases require varying base rental amounts. Rental income for these leases for the year ended June 30, 2005, totaled \$76,316.

Future minimum rental income is as follows:

| | |
|-------------------|-------------------|
| 2006 | \$ 29,078 |
| 2007 | 59,661 |
| 2008 | 61,661 |
| 2009 | 63,383 |
| 2010 | 65,244 |
| <u>Thereafter</u> | <u>206,439</u> |
| <u>Total</u> | <u>\$ 485,466</u> |

Additional Information

Capital Area Michigan Works!

Schedule A-1
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Program or Award Amount</u> | <u>Current Year Expenditures</u> |
|--|------------------------------------|--|--|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed-Through the Michigan Department of Labor and Economic Growth | | | |
| Food Stamps - FY04 | 10.561 | \$ 229,711 | \$ 53,041 |
| Food Stamps - FY05 | | 233,331 | 142,015 |
| (Subrecipient expenses \$170,600) | | | |
| Total U.S. Department of Agriculture | | 463,042 | 195,056 |
| U.S. DEPARTMENT OF LABOR | | | |
| Passed-Through the Michigan Department of Labor and Economic Growth | | | |
| Employment Services | 17.207 | | |
| Employment Services - 7A | | 119,185 | 119,185 |
| Employment Services - 7A | | 878,766 | 588,296 |
| Re-employment Services | | 47,971 | 47,971 |
| (Subrecipient expenses \$612,363) | | 1,045,922 | 755,452 |
| Trade Adjustment Assistance | 17.245 | | |
| Trade Adjustment Assistance | | 136,903 | 87,756 |
| Trade Adjustment Assistance | | 22,432 | 22,432 |
| Trade Adjustment Assistance | | 35,014 | 2,837 |
| Trade Adjustment Assistance | | 189,683 | 137,268 |
| | | 384,032 | 250,293 |
| Faith-Based Community Organizations | | | |
| Faith-Based Community Organizations | 17.257 | 350,000 | 133,953 |
| Workforce Investment Act-Adult | 17.258* | | |
| WIA Adult | | 764,695 | 72,646 |
| WIA Adult | | 784,991 | 683,808 |
| WIA Adult - Statewide Incumbent Worker | | 362,029 | 117,179 |
| WIA Adult - Statewide Youth High Concentration | | 12,162 | 12,162 |
| WIA Adult - Statewide Capacity Building | | 12,162 | 6,684 |
| WIA Adult - Statewide Incumbent Worker | | 42,506 | 20,124 |
| WIA Adult - Statewide Performance Incentive | | 19,885 | 11,714 |
| WIA Adult - Statewide RSA Manufacturing | | 14,005 | 9,860 |
| WIA Adult - Admin. and One-Stop Operations | | 155,798 | 84,942 |
| (Subrecipient expenses \$761,985) | | 2,168,233 | 1,019,119 |
| Workforce Investment Act-Youth | 17.259* | | |
| WIA Youth | | 682,912 | 41,742 |
| WIA Youth | | 1,022,085 | 911,735 |
| WIA Adult - Statewide Incumbent Worker | | 478,716 | 154,948 |
| WIA Adult - Statewide Youth High Concentration | | 13,297 | 13,297 |
| WIA Adult - Statewide Capacity Building | | 13,298 | 7,308 |
| WIA Adult - Statewide Incumbent Worker | | 46,474 | 22,003 |
| WIA Adult - Statewide Performance Incentive | | 21,742 | 12,807 |
| WIA Adult - Statewide RSA Manufacturing | | 15,312 | 10,780 |
| WIA Youth - Admin. and One-Stop Operations | | 196,377 | 107,066 |
| (Subrecipient expenses \$986,295) | | 2,490,213 | 1,281,686 |

*These represent a cluster program.

See Independent Auditor's Report.

Capital Area Michigan Works!

Schedule A-2

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Program or Award Amount | Current Year Expenditures |
|---|------------------------------------|--|--|
| U.S. DEPARTMENT OF LABOR (Continued) | | | |
| Workforce Investment Act-Dislocated Worker | 17.260* | | |
| WIA Dislocated Worker | | 613,502 | 157,463 |
| WIA Dislocated Worker | | 727,449 | 602,185 |
| WIA Dislocated Worker - National Reserve | | 3,513 | 3,513 |
| WIA Dislocated Worker - National Reserve | | 31,617 | 31,617 |
| WIA Adult - Statewide Incumbent Worker | | 405,912 | 131,383 |
| WIA Adult - Statewide Youth High Concentration | | 18,210 | 18,210 |
| WIA Adult - Statewide Capacity Building | | 18,211 | 10,008 |
| WIA Adult - Statewide Incumbent Worker | | 63,645 | 30,132 |
| WIA Adult - Statewide Performance Incentive | | 29,774 | 17,539 |
| WIA Adult - Statewide RSA Manufacturing | | 20,969 | 14,763 |
| WIA Dislocated Worker - Admin. and One-Stop Operations | | 156,456 | 85,301 |
| (Subrecipient expenses \$745,413) | | <u>2,089,258</u> | <u>1,102,114</u> |
| Michigan Department of Career Development | 17.UNK | | |
| Reed Act/Work First | | 2,461,848 | 1,012,338 |
| Reed Act/Work First | | 670,475 | 412,356 |
| Reed Act One-Stop Service Center | | 206,086 | 168,857 |
| Reed Act One-Stop Service Center | | 213,748 | 74,703 |
| (Subrecipient expenses \$1,103,193) | | <u>3,552,157</u> | <u>1,668,254</u> |
| National Business Learning Program | 17.267 | <u>10,000</u> | <u>10,000</u> |
| Total U.S. Department of Labor | | <u>12,089,815</u> | <u>6,220,871</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed-Through the Michigan Department of | | | |
| Labor and Economic Growth | | | |
| Temporary Assistance for Needy Families | 93.558 | | |
| Work First - FY04 | | 1,211,865 | 430,542 |
| Work First - Supportive Services 04 | | 161,200 | 11,442 |
| Work First - TTW-TANF 04 | | 16,657 | 2,244 |
| Work First - FY05 | | 2,283,568 | 1,451,776 |
| Work First - Supportive Services 05 | | 151,200 | 151,200 |
| Work First - TTW-TANF 05 | | 32,625 | 8,214 |
| (Subrecipient expenses \$1,536,925) | | | |
| Total U.S. Department of Health and Human Services | | <u>3,857,115</u> | <u>2,055,418</u> |
| TOTAL FEDERAL AWARDS | | <u>\$ 16,409,972</u> | <u>\$ 8,471,345</u> |

Note to Schedule of Expenditures of Federal Awards

This schedule includes the federal grant activity of Capital Area Michigan Works! and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

*These represent a cluster program.

See Independent Auditor's Report.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Capital Area Michigan Works!
Lansing, Michigan

We have audited the financial statements of Capital Area Michigan Works! as of and for the year ended June 30, 2005, and have issued our report thereon dated November 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Capital Area Michigan Works! internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capital Area Michigan Works! financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Wipfli LLP

November 2, 2005
Madison, Wisconsin



Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance

Board of Directors
Capital Area Michigan Works!
Lansing, Michigan

Compliance

We have audited the compliance of Capital Area Michigan Works! with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Capital Area Michigan Works! major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Capital Area Michigan Works! management. Our responsibility is to express an opinion on Capital Area Michigan Works! compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Capital Area Michigan Works! compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Capital Area Michigan Works! compliance with those requirements.

In our opinion, Capital Area Michigan Works! complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Capital Area Michigan Works! is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Capital Area Michigan Works! internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Wipfli LLP

November 2, 2005
Madison, Wisconsin

Capital Area Michigan Works!

Schedule of Findings and Questioned Costs

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Capital Area Michigan Works!
2. No reportable conditions relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
3. No instance of noncompliance material to the financial statements of Capital Area Michigan Works! were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for Capital Area Michigan Works! expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Capital Area Michigan Works!
7. The programs tested as major programs were the U.S. Department of Labor Employment Services CFDA #17.207 and Workforce Investment Act Cluster of CFDA #17.258, #17.259, and #17.260.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Capital Area Michigan Works! was determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs Audit

Questioned Costs: None

Finding: None